

## Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EUR-25 EA-11 ISO-00 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 OMB-01 L-03 NSC-07 SS-20

STR-08 CEA-02 DRC-01 /157 W  
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P R 061750Z MAR 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 8468

INFO AMEMBASSY ACCRA PRIORITY

AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY PARIS PRIORITY

AMEMBASSY ROME PRIORITY

AMEMBASSY OSLO

AMEMBASSY BONN

AMEMBASSY BERN

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

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BRUSSELS FOR AMBASSADOR ROBERT S. SMITH

PARIS FOR AMBASSADOR ROBERT S. SMITH

ROME FOR TREASURY ATTACHE

E.O. 11652: N/A

TAGS: EAID, EFIN, PFOR, IB,GH

SUBJECT: GHANA DEBT: SECOND ROUND NEGOTIATIONS:  
LONDON CAUCUS

BEGIN SUMMARY: CHAIRMAN LE QUESNE HAS CABLED ASHLEY-  
LASSEN THAT CREDITORS WILL COME TO ROME MARCH 11 BUT  
REMAIN PERSUADED THAT 10/18/2.5 PER CENT FORMULA  
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CONSTITUTES FAIR BASIS FOR SETTLEMENT. FRENCH,

ITALIANS AND WEST GERMANS TO SEEK AUTHORITY THEIR GOVERNMENTS OFFER, IF NECESSARY TO ACHIEVE SETTLEMENT, EITHER 2 PER CENT INTEREST RATE, (OR 10/20/2.5 PER CENT VARIANT) OR RESCHEDULING OF FEBRUARY 1 - JUNE 30, 1972 PAYMENTS. CREDITORS HAVE AGREED NEGOTIATIONS TO BE BROKEN OFF IF GHANAIS DISSATISFIED WITH THIS FINAL CONCESSION TO THEIR DEMANDS FOR MORE GENEROUS RESCHEDULING TERMS. END SUMMARY.

1. CHAIRMAN LE QUESNE OPENED CREDITORS' CAUCUS WITH DESCRIPTION HIS EARLIER MEETING WITH GHANAIS SOLICITOR GENERAL ASANTE. LEQUESNE SAID THEIR DISCUSSION REVEALED THAT ALTHOUGH SOME TECHNICAL POINTS REMAIN TO BE RESOLVED, ONLY SUBSTANTIAL REMAINING DIFFERENCES ARE INTEREST RATE AND RESCHEDULING OF PAYMENTS DUE BETWEEN FEBRUARY 1 AND JUNE 30, 1972. BOOTHROYD FOR UK THEN URGED THAT OTHER CREDITORS BE PREOARED MEET GHANAIS DESIRES ON ONE OF THESE POINTS IF REQUIRED TO ACHIEVE SETTLEMENT. BOOTHROYD MAINTAINED THAT BREAK-DOWN IN DEBT NEGOTIATIONS COULD LEAD TO LONG IMPASSE, AS GHANAIS DIVIDED ON NEED FOR SETTLEMENT AND CREDITORS' LEVERAGE WEAKENED BY RESUMPTION GERMAN AID AND PROSPECT ADDITIONAL IBRD ASSISTANCE.

2. WEST GERMAN REPRESENTATIVE GEHRING SAID CREDITORS JEOPARDIZING THEIR OWN CREDIBILITY BY REPEATED RETREATS FROM "FINAL POSITIONS." HE SAID THIS PROCESS ALSO EMBARRASSING HIM VIS-A-VIS HIS SUPERIORS. HE URGED CREDITORS BREAK OFF TALKS IN ROME, IF GHANAIS UNWILLING SETTLE ON BASIS CREDITORS' DRAFT AGREED MINUTE. GEHRING OPINED GHANAIS PROBING AND PREDICTED THEY EVENTUALLY WOULD COME TO CREDITORS ASKING FOR RELIEF.

3. DUTCH REPEATED BRITISH ARGUMENT THAT RESUMED AID UNDERCUTTING BARGAINING POWER OF CREDITORS, WHO SHOULD TRY FOR QUICK SETTLEMENT. DUTCH SAID THEY PREPARED CONCEDE BOTH 2 INTEREST RATE AND RESCHEDULING OF FEBRUARY 1 - JUNE 30 PAYMENTS. BELGIANS, REPRESENTED BY OBSERVER, SAID THEY WOULD FOLLOW LIMITED OFFICIAL USE

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MAJORITY. SWISS TOOK IDENTICAL POSITION. DANES, ALSO REPRESENTED BY OBSERVER, EXPRESSED NO OPINION. JAPANESE INSISTED ANY FURTHER CREDITOR CONCESSION BE GRANTED ONLY AFTER GHANAIS AGREEMENT REACHED ON ALL OTHER ISSUES AND AFTER ASCERTAINING SERIOUSNESS OF GHANAIS DEMAND. BRITISH EXPLAINED THIS WAS THEIR POSITION TOO.

4. MLLE. MOEVUS SAID FRENCH CONCERNED BY PRECEDENT OF GIVING TERMS MORE LIBERAL THAN JUSTIFIED ECONOMICALLY AND INSISTED THAT, IF FURTHER CONCESSIONS GRANTED, AGREED MINUTE BE REPLACED BY GHANAIAI LETTER TO CREDITOR CHAIRMAN REQUESTING THAT CREDITORS NEGOTIATE BILATERAL RESCHEDULING ACCORDS. AFTER LEQUESNE OPINED THIS WOULD BE UNACCEPTABLE TO ASHLEY-LASSEN, AND BOOTHROYD POINTED OUT RISK ENTAILED TO CREDITOR SOLIDARITY, MOEVUS DROPPED THIS PARTICULAR DEMAND. CREDITORS AGREED PREAMBLE TO DRAFT AGREED MINUTE MIGHT BE DROPPED OR AMENDED TO EXCLUDE ECONOMIC JUSTIFICATION FOR RESCHEDULING

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P R 061750Z MAR 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 8469

INFO AMEMBASSY ACCRA PRIORITY

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TERMS, IF ADDITIONAL CONCESSION GRANTED.MLLE. MOEVUS PARTICULARLY INSISTANT THROUGHOUT DISCUSSION ON NEED TO AVOID PRECEDENT. SHE INDICATED THIS PROPOSAL STEP IN RIGHT DIRECTION BUT DID NOT GO FAR ENOUGH.

5. ITALIAN REPRESENTATIVE CUNEO REPORTED GHANAIAN AMBASSADOR TO ROME TELEPHONE HIM SHORTLY PRIOR DEPARTURE FOR LONDON WITH GOG OFFER ACCEPT 10/20/2.5 AS ALTERNATIVE TO 10/18/2 FORMULA. CUNEO URGED CREDITORS POSTPONE ROME NEGOTIATIONS FOR SUFFICIENT TIME LEARN IF AMBASSADOR'S STATEMENT REALLY GOG LIMITED OFFICIAL USE

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POSITION. WITH EXCEPTION NORWEGIAN, WHO ALSO PREFERRED WAIT (PROBABLY BECAUSE, AS HE ADMITTED IN CORRIDOR CONVERSATION, HE HAD NOT YET REQUESTED INSTRUCTIONS FOR RENEWED NEGOTIATIONS), OTHER CREDITORS EXPRESSED GREAT SKEPTICISM THAT GOG WOULD COMMUNICATE ANY MODIFICATION OF ITS POSITION THROUGH ANY GHANAIAN AMBASSADOR. CREDITORS AGREED THAT CUENO SHOULD INFORM GHANAIAN AMBASSADOR ON HIS RETURN TO ROME THAT DURING NEGOTIATIONS CREDITORS WOULD BE READY HEAR ANY MODIFICATION OF GHANAIAN RESCHEDULING DESIRES. UK SAID IT COULD ACCEPT 10/20/2.5 IN LIEU 10/18/2, AS GRANT ELEMENT WOULD BE LESS.

6. US REPRESENTATIVE SAID THAT ALTHOUGH USG BELIEVES THERE IS NO ECONOMIC JUSTIFICATION FOR MORE LIBERAL TERMS, AND USG WOULD NOT ACCEPT LIBERALIZED GHANAIAN TERMS AS PRECEDENT IN ANY OTHER DEBT RESCHEDULING EXERCISE, USG WOULD NOT OBJECT IF OTHER CREDITORS DECIDED LOWER INTEREST RATE TO 2 OR TO RESCHEDULE FEBRUARY 1 - JUNE 30, 1972 PAYMENTS, AFTER GHANAIS HAD ACCEPTED ALL OTHER POINTS CREDITORS' DRAFT AGREED MINUTE, IF SINGLE FURTHER CONCESSION APPEARED ABSOLUTELY NECESSARY ACHIEVE DEBT RESCHEDULING ACCORD.

7. DURING LUNCHEON CONVERSATIONS AND IN AFTERNOON SESSION, LEQUESNE AND UK REPRESENTATIVES FINALLY PERSUADED GEHRING, MOEVUS AND CUNEO TO SEEK PERMISSION CONCEDE EITHER 2 RATE, 10/20/2.5 VARIANT, OR ADDITIONAL RESCHEDULING, IF ROME NEGOTIATIONS REVEALED THIS FINAL MODIFICATION OF CREDITOR TERMS TO BE ESSENTIAL TO REACH RESCHEDULING AGREEMENT. LEQUESNE WARNED THAT NEW BRITISH LABOUR GOVERNMENT LIKELY VIEW BREAKDOWN OF TALKS OVER DIFFERENCE OF HALF

PER CENT AS UNREASONABLE OF CREDITORS, AS WOULD IBRD  
AND PRESS. HOWEVER, LEQUESNE DID PLEDGE TO GEHRING  
AND MOEVUS THAT IF GHANAIS DEMAND BOTH RESCHEDULING  
TERMS MORE LIBERAL THAN 10/18/2.5 AND RESCHEDULING OF  
FEBRUARY 1 - JUNE 30 PAYMENTS, OR BALKED AT OTHER KEY  
ELEMENTS CREDITORS' DRAFT AGREED MINUTE, UK DELEGATION  
WOULD AGREE BREAK OFF TALKS RATHER THAN RECESS. UK  
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DELEGATES UNWILLING MAKE FIRMER COMMITMENT IN RESPONSE  
TO GERMAN AND FRENCH DEMANDS THAT THIS BE FINAL CON-  
CESSION, DUE PROFESSED INABILITY PREDICT ATTITUDE NEW  
LABOUR GOVERNMENT TOWARD GHANAIAN DEBT RESCHEDULING.

8. CREDITORS' TACTICS AT ROME, SUBJECT TO APPROVAL  
BY FRENCH, GERMAN, AND ITALIAN GOVERNMENTS, WILL BE  
FOR LEQUESNE TO STATE THAT CREDITORS WISH PUT ASIDE  
TWO SUBSTANTIAL POINTS ON WHICH PARTIES DISAGREE; I.E.,  
INTEREST RATE AND RESCHEDULING FEBRUARY 1 - JUNE 20,  
1972 PAYMENTS, UNTIL REMAINING TECHNICAL DIFFERENCES

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STR-08 CEA-02 DRC-01 /157 W  
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P R 061750Z MAR 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 8470

INFO AMEMBASSY ACCRA PRIORITY

AMEMBASSY BRUSSELS PRIORITY  
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RESOLVED' IF THESE ARE RESOLVED, AND A FURTHER CONCESSION APPEARS NECESSARY TO ACHIEVE SETTLEMENT, GHANAIS WILL BE OFFERED CHOICE BETWEEN EITHER 10/18/2 (OR 10/20/2.5 IF THEY ARE SERIOUSLY INTERESTED IN THIS VARIANT), OR RESCHEDULING OF FEBRUARY 1 - JUNE 30 PAYMENTS. SHOULD GHANAIS THEN DEMAND CREDITORS CONCEDE BOTH POINTS, NEGOTIATIONS WOULD BE TERMINATED.

9. FOR ROME: MEETING TERMINATED WITH INCLUSIVE DISCUSSION OF LANGUAGE IN CREDITORS' DRAFT AGREED MINUTE  
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SPECIFYING PROCEDURES FOR HANDLING REPUDIATED DEBTS. DIFFICULTY ARISES FROM DIFFERENCES BETWEEN BRITISH AND CONTINENTAL CONTRACT LAW AND PROVISIONS FOR SOVEREIGN IMMUNITY. UK INTENDS DRAFT SEVERAL FORMULATIONS FOR POSSIBLE USE IN ROME. US REPRESENTATIVE ASKED UK TO CABLE THEIR LANGUAGE SUGGESTIONS TO WASHINGTON FOR REVIEW BY DEPARTMENT'S LAWYERS.

10. CREDITORS AGREED CAUCUS 1600 SUNDAY, MARCH 10, WITH ITALIAN FOREIGN MINISTRY TO PHONE LOCATION TO CREDITOR COUNTRY EMBASSIES. REQUEST TEMPLEMAN LEAVE WORD FOR BISHOP AT HOTEL IMPERIALE. GHANAIS TO BE REQUESTED MEET 1000 MONDAY, MARCH 11.

11. FOR BRUSSELS AND PARIS FOR AMBASSADOR SMITH: MEMBERS YOUR DELEGATION WILL CALL AT YOUR HOTEL 1300 SUNDAY FOR LUNCHEON BRIEFING.

12. COMMENT: UK VERY ANXIOUS FOR SETTLEMENT, POSSIBLY BECAUSE ALL SHORT TERM ARREARS UP TO 10,000 CEDIS NOW CLEARED, WITH ADDITIONAL REPAYMENTS PROMISED; ASANTE AND MASON ACTIVELY NEGOTIATING

DEAL ON REPUDIATED DEBTS; AND GHANAIS REPORTEDLY  
PLANNING INITIAL COMPENSATION PAYMENTS TO SOME UK  
FIRMS. UK ALSO APPEARS GENUINELY CONCERNED BY  
RESUMPTION GERMAN AID AND PROSPECT IBRD WILL USE  
RESUMPTION AS JUSTIFICATION ACCELERATE ITS LENDING  
PROGRAM. GEHRING CLEARLY EMBARRASSED BY GERMAN AID  
POLICY, WHICH HE ACKNOWLEDGED AS INCONSISTENT WITH  
BOTH CREDITOR SOLIDARITY AND GERMAN HARD LINE ON  
RESCHEDULING TERMS. ANNENBERG

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NEGOTIATIONS, DEBT REPAYMENTS, GOVERNMENT DEBTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 MAR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974LONDON02859  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** LONDON  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740364/aaaachss.tel  
**Line Count:** 340  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 7  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 28 MAR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <28 MAR 2002 by collinp0>; APPROVED <04 JUN 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GHANA DEBT: SECOND ROUND NEGOTIATIONS: LONDON CAUCUS  
**TAGS:** EAID, EFIN, PFOR, GH  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005